

2013 DRAFTING REQUEST

Bill

Received: 11/8/2012	Received By: jkreye
Wanted: As time permits	Same as LRB:
For: Administration-Budget	By/Representing: Ley
May Contact:	Drafter: jkreye
Subject: Tax, Other - sales	Addl. Drafters:
	Extra Copies:

Submit via email: **YES**

Requester's email:

Carbon copy (CC) to:

Pre Topic:

DOA:.....Ley, BB0229 -

Topic:

Sales and use tax exemption for items used in qualified research

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 11/13/2012			_____ _____			
/P1	jkreye 1/15/2013	kfollett 11/14/2012	jmurphy 11/14/2012	_____ _____	lparisi 11/14/2012		State S&L Tax
/P2		kfollett 1/15/2013	phenry 1/15/2013	_____ _____	lparisi 1/15/2013		State S&L Tax

FE Sent For:

<END>

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/?	jkreye 11/13/2012						
/P1		kfollett 11/14/2012	jmurphy 11/14/2012		lparisi 11/14/2012		State S&L Tax

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/?	jkreye	<i>10/15/14</i>	<i>gm 11/14</i>	<i>11/14</i>			

FE Sent For:

<END>

518

Kreye, Joseph

From: Hanaman, Cathlene
Sent: Thursday, November 08, 2012 3:11 PM
To: Kreye, Joseph; Shovers, Marc
Subject: FW: Statutory Language Drafting Request - BB0229
Attachments: Sales Tax Exemption, Qualified Research.pdf

From: Emily.Ley@wisconsin.gov [mailto:Emily.Ley@wisconsin.gov]
Sent: Thursday, November 08, 2012 3:11 PM
To: Hanaman, Cathlene
Cc: Thornton, Scott - DOA; Frederick, Caitlin - DOA; Ley, Emily A - DOA
Subject: Statutory Language Drafting Request - BB0229

Biennial Budget: 2013-15

Topic: Sales tax exemption for items related to qualified research

Tracking Code: BB0229

SBO Team: TLGED

SBO Analyst: Ley, Emily - DOA
Phone: 608-266-7597
E-mail: Emily.Ley@wisconsin.gov

Agency Acronym: DOR

Agency Number: 566

Priority: Medium

Intent: Expand the sales and use tax exemption for property used in research and development activities if the research is otherwise "qualified research" and is performed on behalf of a member of a combined group, provided at least one member of the combined group is either engaged in manufacturing or biotechnology in Wisconsin.

Additionally, simplify the exemption requirements for raising animals for research:

- Remove the requirement that businesses apply for and the department determine, if the business purchasing animals is a "biotechnology business."
- Remove the requirement that the animals purchased are used in qualified research or manufacturing by the purchaser.
- Add a requirement that the animals need only be raised for "research" purposes.

Attachments: True

Please send completed drafts to statlanguage@wisapps.wi.gov

TITLE: REVISE SALES TAX EXEMPTIONS FOR ITEMS RELATING TO QUALIFIED RESEARCH

DESCRIPTION OF CURRENT LAW AND PROBLEM

Qualified Research for Members of Combined Group

Under current law, the sales tax exemptions in sec. 77.54(57)(b)1. and 2., Stats., apply to purchases of certain items by persons engaged primarily in manufacturing or biotechnology in Wisconsin, and used in "qualified research" as defined in sec. 41(d)(1) of the Internal Revenue Code.

The definition of "qualified research" specifically excludes any research to the extent funded by any grant, contract or otherwise by another person (or government entity). As such, the exemptions do not apply to research performed on behalf of a member of a combined group of corporations by another member of that group.

For example, rather than perform the "qualified research" itself, a taxpayer that is engaged primarily in manufacturing or biotechnology in Wisconsin contracts with another member in its combined group of corporations to perform its research and development activities, as this member specializes in performing product research and development for group members. Even though the activity would constitute "qualified research" if performed by the taxpayer, it is not "qualified research" for the other member of the group actually conducting the research. The other member of the group is not eligible to claim the sales tax exemptions for certain property purchased and used in the research and development activity it conducts.

The business community has raised a concern that use of "primarily" for determining whether a person is engaged in manufacturing is difficult to determine and may prohibit Wisconsin companies engaged in manufacturing both in Wisconsin and globally from taking advantage of this exemption. It was thought when the initial statute was drafted that these manufacturers would fall within the "primarily manufacturing" requirement. The law should be amended to more closely reflect the intent of the original proposal – the exemption would apply to persons who are manufacturing at facilities in Wisconsin.

Raising Animals

Various property used in raising animals sold for use in qualified research and manufacturing is exempt from sales tax if more than 50% of the animals raised are sold to biotechnology companies certified by the DOR, institutions of higher education, and government agencies for exclusive and direct use in qualified research or manufacturing. This exemption took effect January 1, 2012.

In working with sellers of animals used in biotechnology or manufacturing research, DOR has found that we are unable to accurately certify the animal seller's customers because DOR may have no connection with the purchaser of the animals in order to verify whether they use the animals in qualified research.

Many of the purchasers are refusing to provide information regarding their research to the seller since it in no way impacts any exemption available to the purchaser (i.e., the benefit is between the animal seller's supplier and the animal seller).

RECOMMENDATION FOR ACTION

1. **Extend the sales exemptions for property used in research and development activities if the research is otherwise "qualified research" and is performed on behalf of a member of a combined group, provided at least one member of the combined group is either engaged in manufacturing at real property assessed as manufacturing for property taxes in Wisconsin or is engaged primarily in biotechnology.** The research must be related to manufacturing or biotechnology in Wisconsin. A member would include its disregarded entities.
2. **Simplify the exemption requirements for raising animals for research so it is administrable by DOR by doing the following:**
 - Remove the requirement that businesses apply for and the DOR determine, if the business purchasing the animals raised is a "biotechnology business."
 - Remove the requirement that the animals purchased are used in qualified research or manufacturing by the purchaser.
 - Add a requirement that the animals need only be raised for "research" purposes.

Since the number of sellers who would be entitled to this exemption is substantially limited by the marketplace, simplifying the exemption requirements will have little impact on whom and what qualifies for exemption.

IMPACT ON JOB CREATION

No significant impact on job creation is expected.

FISCAL EFFECT

Minimal decrease in state and local sales and use tax collections

DRAFTING INSTRUCTIONS

See Attachment 1

INITIAL APPLICABILITY

This provision first applies to sales made on or after of January 1, 2012, regardless of whether the sales occurred before the effective date of this Act.

Note: The applicability language in addition to the actual date is necessary for the Legislature to affirm the retroactive application as provided in *Andrew K. Morris v. Wisconsin Department of Revenue* (CCH 202-256, September 26, 1983) and *Alan Marcuvitz et al. v. Wisconsin Department of Revenue* (CCH 201-451, November 30, 1977).

INTERESTED/AFFECTED PARTIES

Combined groups, manufacturers, and sellers of research animals will be interested in this proposal since it simplifies the exemption and removes burden in verifying qualification for exemption while keeping within the intent of the original exemptions. Unrelated research companies may also be interested in a similar exemption but the intent of the original and

amended exemption is to incentivize research conducted by Wisconsin manufacturers and biotechnology companies.

Create the following provisions:

77.51(1c) "Biotechnology" means the application of biotechnologies, including recombinant deoxyribonucleic acid techniques, biochemistry, molecular and cellular biology, genetics, genetic engineering, biological cell fusion, and other bioprocesses, that use living organisms or parts of an organism to produce or modify products to improve plants or animals or improve animal health, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

77.51(10rt) ⁴
(10m) "Primarily" means more than 50 percent. — 77.54(57) (a) 4.

77.54(57r)

(a) In this subsection:

1. "Animals" include bacteria, viruses, and other microorganisms.
2. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.
3. "Used exclusively" has the meaning given in sub. (3) (b) 3.

(b) The sales price from the sale of and the storage, use, or other consumption of all of the following:

1. Machinery and specific processing equipment, including accessories, attachments, and parts for the machines or equipment, that are used exclusively and directly in raising animals for research that are sold primarily to a business engaged in biotechnology, a public or private institution of higher education, or a governmental unit.
2. The items listed in sub. (3m) (a) to (m), medicines, semen for artificial insemination, fuel, and electricity that are used exclusively and directly in raising animals for research that are sold primarily to a business engaged in biotechnology, a public or private institution of higher education, or a governmental unit.

Amend sec. 77.54(57), Stats., as follows:

(a) In this subsection:

1. "Combined group" has the same meaning as in s. 71.255 (1) (a).

1d. "Animals" include bacteria, viruses, and other microorganisms.

1f. "Biotechnology" means the application of biotechnologies, including recombinant deoxyribonucleic acid techniques, biochemistry, molecular and cellular biology, genetics, genetic engineering, biological cell fusion, and other bioprocesses, that use living organisms or parts of an organism to produce or modify products to improve plants or animals or improve animal health, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

1m. "Biotechnology business" means a business, as certified by the department in the manner prescribed by the department, that is primarily engaged in the application of biotechnologies that use a living organism or parts of an organism to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

2. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.

4. "Primarily" means more than 50 percent.

5. "Qualified research" means qualified research as defined under section 41 (d) (1) of the Internal Revenue Code, except that qualified research shall also include research funded by a member of a combined group for another member of the combined group.

6. "Used exclusively" has the meaning given in sub. (3) (b) 3.

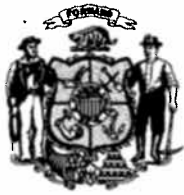
(b) The sales price from the sale of and the storage, use, or other consumption of machinery and equipment, including attachments, parts, and accessories, and other tangible personal property or items or property under s. 77.52 (1) (b) or (c) consumed, or destroyed, or losing their identities, used exclusively and directly in qualified research, and that machinery, equipment, and tangible property are sold to any all of the following:

1. Machinery and equipment, including attachments, parts, and accessories, and other tangible personal property or items or property under s. 77.52 (1) (b) or (c) consumed, destroyed, or losing their identities, used exclusively and directly in qualified research, and that are sold to persons who are engaged primarily in manufacturing or biotechnology in this state and are used exclusively and directly in qualified research. Persons who are engaged in manufacturing at real property assessed under s. 70.995 or engaged primarily in biotechnology in this state.

2. Tangible personal property or item or property under s. 77.52 (1) (b) or (c) that is sold to persons who are engaged primarily in manufacturing or biotechnology in this state, if the tangible personal property or item or property under s. 77.52 (1) (b) or (c) is consumed or destroyed or loses its identity while being used exclusively and directly in qualified research. A member of a combined group conducting qualified research for a member of the combined group under subd. 1.

3. Machines and specific processing equipment, including accessories, attachments, and parts for the machines or equipment, that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.

4. The items listed in sub. (3m) (a) to (m), medicines, semen for artificial insemination, fuel, and electricity that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0518/P1

JK:...

DOA:.....Ley, BB0229 - Sales and use tax exemption for items used in qualified research

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

PWL
NDF Jan 11/14

in 11-13-12

Don't Gen

1 **AN ACT ...; relating to: the budget.**

Analysis by the Legislative Reference Bureau

TAXATION

OTHER TAXATION

Under current law, the sale of tangible personal property, animals, and certain other items to a person who is primarily engaged in biotechnology or manufacturing in this state is exempt from the sales and use tax if the property, animals, or items are used for qualified research. This bill modifies the exemption so that DOR does not have to certify a biotechnology business in order for the business to claim the exemption. The bill also allows a member of a combined group of corporations to claim the exemption if another group member is conducting qualified research for the member who is engaged in biotechnology or manufacturing in this state.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 77.54 (57) (a) 1f. of the statutes is renumbered 77.51 (1c).

2 SECTION 2. 77.54 (57) (a) 1m. of the statutes is repealed.

3 SECTION 3. 77.54 (54) (a) 4. of the statutes is renumbered 77.51 (10rn).

4 SECTION 4. 77.54 (57) (a) 5. of the statutes is repealed.

5 SECTION 5. 77.54 (57) (b) 1. of the statutes is repealed.

6 SECTION 6. 77.54 (57) (b) 2. of the statutes is repealed.

7 SECTION 7. 77.54 (57) (b) 3. of the statutes is amended to read:

8 77.54 (57) (b) 3. Machines and specific processing equipment, including
9 accessories, attachments, and parts for the machines or equipment, that are used
10 exclusively and directly in raising animals that are sold primarily to a business
11 engaged in biotechnology business, a public or private institution of higher
12 education, or a governmental unit ~~for exclusive and direct use by any such entity in~~
13 ~~qualified research or manufacturing.~~

History: 1971 c. 64, 154, 215, 311; 1973 c. 90, 156, 240; 1975 c. 39, 96, 102, 146, 200; 1977 c. 29; 1977 c. 83 ss. 13, 26; 1977 c. 250, 368, 418; 1979 c. 1, 34, 87, 174; 1981 c. 20; 1981 c. 79 s. 18; 1981 c. 96 s. 67; 1981 c. 264; 1981 c. 282 s. 47; 1981 c. 317; 1983 a. 27 ss. 1284d to 1284np, 2202 (38); 1983 a. 189 ss. 101, 106, 329 (5), (12), (13); 1983 a. 192, 287, 405, 426, 498, 510, 538, 544; 1985 a. 29, 149, 332; 1987 a. 27; 1987 a. 312 s. 17; 1987 a. 399; 1989 a. 31, 238, 270, 335, 359; 1991 a. 37, 39, 269, 316; 1993 a. 16, 263, 332; 1995 a. 27, 125, 225, 227; 1997 a. 27, 35, 41, 184, 237, 291; 1999 a. 9, 65, 83; 1999 a. 150 s. 672; 1999 a. 167; 2001 a. 16, 103, 109; 2003 a. 99, 128; 2005 a. 25, 74, 141, 149, 335, 366, 479; 2007 a. 11, 19, 20, 97, 130; 2009 a. 2, 28, 185, 204, 330; 2011 a. 7, 10, 32, 208, 260.

14 SECTION 8. 77.54 (57) (b) 4. of the statutes is amended to read:

15 77.54 (57) (b) 4. The items listed in sub. (3m) (a) to (m), medicines, semen for
16 artificial insemination, fuel, and electricity that are used exclusively and directly in
17 raising animals that are sold primarily to a business engaged in biotechnology
18 business, a public or private institution of higher education, or a governmental unit
19 ~~for exclusive and direct use by any such entity in~~ qualified research or
20 manufacturing.

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21 SECTION 9. 77.54 (57d) of the statutes is created to read:

22 77.54 (57d) (a) In this subsection:

- 1 1. "Combined group" has the meaning given in s. 71.255 (1) (a).
2 2. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.
3 3. "Qualified research" means qualified research as defined under section 41
4 (d) (1) of the Internal Revenue Code and includes qualified research that is funded
5 by a member of a combined group for another member of a combined group.

- 6 4. "Used exclusively" has the meaning given in sub. (3) (b) 3.

7 (b) The sales price from the sale of and the storage, use, or other consumption
8 of machinery and equipment, including attachments, parts, and accessories, and
9 other tangible personal property or items or property under s. 77.52 (1) (b) or (c) that
10 are sold to any of the following and that are consumed or destroyed or lose their
11 identities while being used exclusively and directly in qualified research:

- 12 1. A person engaged in manufacturing at real property assessed under s.
13 70.995. *in this state or on*

- 14 2. A person engaged primarily in biotechnology in this state.

- 15 3. A combined group member who is conducting qualified research for another
16 combined group member and that other combined group member is a person
17 described under subd. 1. or 2.

18 **SECTION 9437. Effective dates; Revenue.**

19 (1) QUALIFIED RESEARCH SALES TAX EXEMPTIONS. The treatment of sections 77.54
20 (57) (a) 1f., 1m., 4., and 5. and (57d) of the statutes takes effect on the first day of the
21 3rd month beginning after publication.

22 (END)



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0518/P1

JK:kjf:jm

P2
RMN

DOA:.....Ley, BB0229 - Sales and use tax exemption for items used in qualified research

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

in 1-15-13

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2 SECTION 2. 77.54 (57) (a) 1m. of the statutes is repealed. ✓

3 SECTION 3. 77.54 (57) (a) 4. of the statutes is renumbered 77.51 (10rn). ✓

4 SECTION 4. 77.54 (57) (a) 5. of the statutes is repealed. ✓

5 SECTION 5. 77.54 (57) (b) 1. of the statutes is repealed. ✓

6 SECTION 6. 77.54 (57) (b) 2. of the statutes is repealed. ✓

7 SECTION 7. 77.54 (57) (b) 3. of the statutes is amended to read:

8 77.54 (57) (b) 3. Machines and specific processing equipment, including
9 accessories, attachments, and parts for the machines or equipment, that are used
10 exclusively and directly in raising animals that are sold primarily to a business
11 engaged in biotechnology ~~business~~, a public or private institution of higher
12 education, or a governmental unit ~~for exclusive and direct use by any such entity in~~
13 ~~qualified research or manufacturing.~~

14 SECTION 8. 77.54 (57) (b) 4. of the statutes is amended to read:

15 77.54 (57) (b) 4. The items listed in sub. (3m) (a) to (m), medicines, semen for
16 artificial insemination, fuel, and electricity that are used exclusively and directly in
17 raising animals that are sold primarily to a business engaged in biotechnology
18 ~~business~~, a public or private institution of higher education, or a governmental unit
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20 ~~manufacturing.~~

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22 77.54 (57d) (a) In this subsection:

23 ① "Combined group" has the meaning given in s. 71.255 (1) (a). ✓

24 ② "Machinery" has the meaning given in s. 70.11 (27) (a) 2. ✓

③
1. "Building" has the meaning given in s. 70.11 (10) (a) 1. ✓

except that it

1 4 3. "Qualified research" means qualified research as defined under section 41

2 (d) (1) of the Internal Revenue Code and includes qualified research that is funded
3 by a member of a combined group for another member of a combined group.

4 4. "Used exclusively" has the meaning given in sub. (3) (b) 3.

5 (b) The sales price from the sale of and the storage, use, or other consumption
6 of machinery and equipment, including attachments, parts, and accessories, and
7 other tangible personal property or items or property under s. 77.52 (1) (b) or (c) that
8 are sold to any of the following and that are consumed or destroyed or lose their
9 identities while being used exclusively and directly in qualified research:

10 1. A person engaged in manufacturing in this state on real property assessed
11 under s. 70.995. *at a building*

12 2. A person engaged primarily in biotechnology in this state.

13 3. A combined group member who is conducting qualified research for another
14 combined group member and that other combined group member is a person
15 described under subd. 1. or 2.

16 **SECTION 9437. Effective dates; Revenue.**

17 (1) QUALIFIED RESEARCH SALES TAX EXEMPTIONS. The treatment of sections 77.54

18 (57) (a) 1f., 1m., 4., and 5. and (57d) of the statutes takes effect on the first day of the
19 3rd month beginning after publication. *retroactively*

20 (END)

January 1, 2012

*g and
(b) 1. and 2. of*

*Amend
3-15*

2013-2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0518/P2ins
JK:kjf:jm

and 2
Insert 3 - 15

1 **SECTION 9337. Initial applicability; Revenue.**

2 (1) **QUALIFIED RESEARCH SALES TAX EXEMPTIONS.** The treatment of section 77.54 ✓

3 (57) (a) 1f., 1m., 4., and 5. (b) 1. and 2. and (57d) of the statutes first applies ✓

4 retroactively to sales made on January 1, 2012.

Create the following provisions:

77.51(1c) "Biotechnology" means the application of biotechnologies, including recombinant deoxyribonucleic acid techniques, biochemistry, molecular and cellular biology, genetics, genetic engineering, biological cell fusion, and other bioprocesses, that use living organisms or parts of an organism to produce or modify products to improve plants or animals or improve animal health, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

77.51(1d) "Biotechnology business" means a business, as certified by the department in the manner prescribed by the department, that is primarily engaged in the application of biotechnologies that use a living organism or parts of an organism to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

77.51(10rt) "Primarily" means more than 50 percent.

77.54(57r)

(a) In this subsection:

- 1 "Animals" include bacteria, viruses, and other microorganisms.
2. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.
3. "Used exclusively" has the meaning given in sub. (3) (b) 3.

(b) The sales price from the sale of and the storage, use, or other consumption of all of the following:

1. Machines and specific processing equipment, including accessories, attachments, and parts for the machines or equipment, that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.

2. The items listed in sub. (3m) (a) to (m), medicines, semen for artificial insemination, fuel, and electricity that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.

Amend sec. 77.54(57), Stats., as follows:**77.54(57)**

(a) In this subsection:

~~1d. "Animals include bacteria, viruses, and other microorganisms.~~

~~1d. "Building" has the meaning given in s. 70.111 (10) (a) 1.~~

~~1f. "Biotechnology" means the application of biotechnologies, including recombinant deoxyribonucleic acid techniques, biochemistry, molecular and cellular biology, genetics, genetic engineering, biological cell fusion, and other bioprocesses, that use living organisms or parts of an organism to produce or modify products to improve plants or animals or improve animal health, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.~~

~~1m.~~ "Biotechnology business" means a business, as certified by the department in the manner prescribed by the department, that is primarily engaged in the application of biotechnologies that use a living organism or parts of an organism to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

1m. "Combined group" has the same meaning as in s. 71.255 (1) (a).

2. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.

4. "Primarily" means more than 50 percent.

53. "Qualified research" means qualified research as defined under section 41 (d) (1) of the Internal Revenue Code, except that qualified research shall also include research funded by a member of a combined group for another member of the combined group.

64. "Used exclusively" has the meaning given in sub. (3) (b) 3.

(b) The sales price from the sale of and the storage, use, or other consumption of ~~all of the following:~~

~~1. Machinery and equipment, including attachments, parts, and accessories, that are sold to persons who are engaged primarily in manufacturing or biotechnology in this state and are used exclusively and directly in qualified research.~~

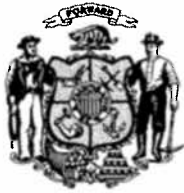
~~2. Tangible personal property or items or property under s. 77.52 (1) (b) or (c) that is sold to persons who are engaged primarily in manufacturing or biotechnology in this state, if the tangible personal property or item or property under s. 77.52 (1) (b) or (c) is consumed or destroyed or loses losing its identity their identities while being used exclusively and directly in qualified research and sold to:~~

1. Persons who are engaged in manufacturing at a building assessed under sec. 70.995 or engaged primarily in biotechnology.

2. A member of a combined group conducting qualified research for a member of the combined group under subd. 1.

~~3. Machines and specific processing equipment, including accessories, attachments, and parts for the machines or equipment, that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.~~

~~4. The items listed in sub. (3m) (a) to (m), medicines, semen for artificial insemination, fuel, and electricity that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.~~



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0518/P2
JK:kjf:ph

DOA:.....Ley, BB0229 - Sales and use tax exemption for items used in qualified research

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to: the budget.**

Analysis by the Legislative Reference Bureau

TAXATION

OTHER TAXATION

Under current law, the sale of tangible personal property, animals, and certain other items to a person who is primarily engaged in biotechnology or manufacturing in this state is exempt from the sales and use tax if the property, animals, or items are used for qualified research. This bill allows a member of a combined group of corporations to claim the exemption if another group member is conducting qualified research for the member who is engaged in biotechnology or manufacturing in this state.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 77.54 (57) (a) 1f. of the statutes is renumbered 77.51 (1c).

2 **SECTION 2.** 77.54 (57) (a) 1m. of the statutes is renumbered 77.51 (1d).

3 **SECTION 3.** 77.54 (57) (a) 4. of the statutes is renumbered 77.51 (10rn).

4 **SECTION 4.** 77.54 (57) (a) 5. of the statutes is repealed.

5 **SECTION 5.** 77.54 (57) (b) 1. of the statutes is repealed.

6 **SECTION 6.** 77.54 (57) (b) 2. of the statutes is repealed.

7 **SECTION 7.** 77.54 (57d) of the statutes is created to read:

8 77.54 (**57d**) (a) In this subsection:

9 1. "Building" has the meaning given in s. 70.111 (10) (a) 1.

10 2. "Combined group" has the meaning given in s. 71.255 (1) (a).

11 3. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.

12 4. "Qualified research" means qualified research as defined under section 41
13 (d) (1) of the Internal Revenue Code, except that it includes qualified research that
14 is funded by a member of a combined group for another member of a combined group.

15 5. "Used exclusively" has the meaning given in sub. (3) (b) 3.

16 (b) The sales price from the sale of and the storage, use, or other consumption
17 of machinery and equipment, including attachments, parts, and accessories, and
18 other tangible personal property or items or property under s. 77.52 (1) (b) or (c) that
19 are sold to any of the following and that are consumed or destroyed or lose their
20 identities while being used exclusively and directly in qualified research:

21 1. A person engaged in manufacturing in this state at a building assessed under
22 s. 70.995.

23 2. A person engaged primarily in biotechnology in this state.

3. A combined group member who is conducting qualified research for another combined group member and that other combined group member is a person described under subd. 1. or 2.

SECTION 9337. Initial applicability; Revenue.

(1) QUALIFIED RESEARCH SALES TAX EXEMPTIONS. The treatment of section 77.54 (57) (a) 1f., 1m., 4., and 5. and (b) 1. and 2., and (57d) of the statutes first applies retroactively to sales made on January 1, 2012.

SECTION 9437. Effective dates; Revenue.

(1) QUALIFIED RESEARCH SALES TAX EXEMPTIONS. The treatment of section 77.54 (57) (a) 1f., 1m., 4., and 5. and (b) 1. and 2. and (57d) of the statutes takes effect retroactively on January 1, 2012.

(END)